

INCREASING THE LENDING AUTHORITY OF EXPORT-
IMPORT BANK OF WASHINGTON AND TO EXTEND THE
PERIOD WITHIN WHICH THE BANK MAY MAKE LOANS

AUGUST 29 (legislative day, AUGUST 27), 1951.—Ordered to be printed

Mr. MAYBANK, from the Committee on Banking and Currency,
submitted the following

R E P O R T

[To accompany S. 2006]

The Committee on Banking and Currency, to whom was referred the bill (S. 2006) to increase the lending authority of Export-Import Bank of Washington and to extend the period within which the bank may make loans, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The legislation provides for an amendment to the Export-Import Bank Act of 1945, as amended, increasing the lending authority of the Export-Import Bank of Washington by \$1,000,000,000 and extending the period within which the bank shall continue to exercise its functions for 5 years beyond June 30, 1953.

As indicated in the message of the President of the United States, transmitting to Congress the recommendation which is embodied in S. 2006, the primary purpose of the requested increase in authority is to place the bank in a position to make full use of opportunities in connection with its efforts to assist the economic progress of friendly nations and for the development of strategic materials.

Mr. Herbert E. Gaston, Chairman of the Board of Directors of the Export-Import Bank, testified before the committee as to the necessity for the bank's lending authority being increased to enable the bank to play the important role entrusted to it in serving the economic interests of the United States. Mr. John Snyder, Secretary of the Treasury, Mr. Charles Sawyer, Secretary of Commerce, Mr. Dean Acheson, Secretary of State, Mr. W. McChesney Martin, Jr., Chairman of the

2 INCREASE THE LENDING AUTHORITY OF EXPORT-IMPORT BANK

Federal Reserve Board, and Mr. William Foster, Economic Cooperation Administrator, all of whom, together with Mr. Gaston, constitute the membership of the National Advisory Council on International and Financial Problems, as well as Mr. Charles Brannan, Secretary of Agriculture, sent the committee letters supporting the bill.

The existing resources of the Export-Import Bank do not permit it to undertake any significant amount of additional financing. At present approximately \$500,000,000 of its existing lending authority remains uncommitted. With loans outstanding or committed in the amount of approximately \$3,000,000,000 prudent management requires that the bank retain available and uncommitted an amount sufficient to meet emergency situations in which the United States has a vital interest.

In utilizing the requested additional lending authority, the bank contemplates no departure from the criteria which it now applies in the consideration of loan applications. Loans will be made, as at present, to assist in financing well-planned development projects which are economically justified and which will contribute to the economic development of the borrowing countries. They will be used to finance the sales of American merchandise, not only manufactured merchandise embodying the skilled labor of many American engineers, designers, and mechanics, but also agricultural commodities such as cotton and wheat. Even more important currently and in the immediate future will be loans for the development and production abroad of materials essential to our national security. In this type of loans, the bank is cooperating and will continue to cooperate with the other agencies of the Government charged with the responsibility of procuring essential materials.

The foregoing considerations, and not the amount of the increase in lending authority, will determine what amount of loans are made by the bank. These funds are not appropriated funds which are spent by virtue of their being voted by the Congress. They are funds which may be utilized by the bank through borrowing from the United States Treasury to the extent that the Board of Directors of the bank determines that they are needed for the purpose of making loans which offer reasonable assurance of repayment and which otherwise meet the requirements of the Export-Import Bank Act of 1945, as amended.

The present expiration date of the lending authority of the bank, June 30, 1953, is unduly restrictive in view of the necessity for continuity in the authority of the bank to perform its role in the efforts of the United States to assist the economic progress of friendly countries. It therefore appears necessary to extend the period within which the bank may continue to exercise its functions, and an extension of 5 years appears reasonable and desirable.

Total commitments since the bank was created exceed \$5,000,000,000 and total commitments now on the bank's books exceed \$3,000,000,000. Yet, there never have been any substantial losses. The ratio of recorded losses to funds actually put out by the bank is at the present time less than one one-hundredth of 1 percent. Your committee is of the opinion that the management of the bank has proven its ability to utilize the funds of the bank in a responsible manner and that the requested increase in funds of the bank available for lending, and the requested extension of time within which loans may be made, are warranted and desirable.

EXPLANATION OF THE BILL

Section (a) of the bill amends section 6 of the Export-Import Bank Act of 1945, as amended, by increasing the amount that the bank may borrow from the Treasury from two and one-half times the capital stock of the bank to three and one-half times the capital stock.

Section (b) of the bill amends section 7 of the Export-Import Bank Act of 1945, as amended, by increasing the amount that the bank may have outstanding at any one time on loans and guaranties from three and one-half times the capital stock of the bank to four and one-half times the amount of the capital stock.

Since the authorized capital stock of the bank is \$1,000,000,000, the effect of the bill is to authorize the bank to borrow up to \$3,500,000,000 from the Treasury as against the presently authorized amount of \$2,500,000,000 and to lend up to \$4,500,000,000 as against the presently authorized amount of \$3,500,000,000.

Section (c) of the bill amends section 8 of the Export-Import Bank Act of 1945, as amended, by extending from June 30, 1953, to June 30, 1958, the date to which the bank shall continue to exercise its functions, and the effect of the bill is thus to provide an extension of 5 years in the life of the bank.

No further changes in the Export-Import Bank Act of 1945 are provided for in the bill.

CHANGES IN EXISTING LAW IN COMPLIANCE WITH THE CORDON RULE

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 6 OF THE EXPORT-IMPORT BANK ACT OF 1945, AS AMENDED (59 STAT. 526, 666; 61 STAT. 130; 12 U. S. C. 635d)

The Export-Import Bank of Washington is authorized to issue from time to time for purchase by the Secretary of the Treasury its notes, debentures, bonds, or other obligations; but the aggregate amount of such obligations outstanding at any one time shall not exceed [two and one-half] *three and one-half* times the authorized capital stock of the bank. Such obligations shall be redeemable at the option of the bank before maturity in such manner as may be stipulated in such obligations and shall have such maturity as may be determined by the Board of Directors of the bank with the approval of the Secretary of the Treasury. Each such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligation of the bank. The Secretary of the Treasury is authorized and directed to purchase any obligations of the bank issued hereunder and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities issued after July 31, 1945, under sections 745, 747, 752-754, 757, 757b, 757c, 758, 760, 764-766, 769, 771, 773, 774 (2), and 801 of this title, and the purposes for which securities may be issued under such sections are extended to include such purpose. Payment under this section of the purchase price of such obligations of the bank and repayments thereof by the bank shall be treated as public-debt transactions of the United States.

4 INCREASE THE LENDING AUTHORITY OF EXPORT-IMPORT BANK

SECTION 7 OF THE EXPORT-IMPORT BANK ACT OF 1945, CITED ABOVE (12 U. S. C. 635E)

The Export-Import Bank of Washington shall not have outstanding at any one time loans and guaranties in an aggregate amount in excess of [three and one-half] *four and one-half* times the authorized capital stock of the Bank.

SECTION 8 OF THE EXPORT-IMPORT BANK ACT OF 1945, AS AMENDED, CITED ABOVE (12 U. S. C. 635F)

Export-Import Bank of Washington shall continue to exercise its functions in connection with and in furtherance of its objects and purposes until the close of business on [June 30, 1953] *June 30, 1958*, but the provisions of this section shall not be construed as preventing the bank from acquiring obligations prior to such date which mature subsequent to such date or from assuming prior to such date liability as guarantor, endorser, or acceptor of obligations which mature subsequent to such date or from issuing, either prior or subsequent to such date, for purchase by the Secretary of the Treasury, its notes, debentures, bonds, or other obligations which mature subsequent to such date or from continuing as a corporate agency of the United States and exercising any of its functions subsequent to such date for purposes of orderly liquidation, including the administration of its assets and the collection of any obligations held by the bank.

